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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

FILED

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21 Attorneys for Plaintiff,
22 United States of America

14 IN THE UNITED STATES DISTRICT COURT FOR THE
15 CENTRAL DISTRICT OF CALIFORNIA
16 WESTERN DIVISION

17 UNITED STATES OF AMERICA,

18 Plaintiff,

19 v.

20 ALEXANDER H. ADAMS, individually,
21 and doing business as ADAMS
22 BEACH INCOME TAX; BRANDON A.
ADAMS; and GARRETT R. ADAMS,

23 Defendants.

CV10 1852

Civil No. .

AHM(SSx)

Complaint for Permanent
Injunction and Other Relief

24 Plaintiff, United States of America, for its complaint against Alexander H.
25 Adams, individually, and doing business as Adams Beach Income Tax, Brandon
26 A. Adams, and Garrett R. Adams ("defendants"), states as follows:

1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and
2. 26 U.S.C. §§ 7402(a), 7407, and 7408.
3. 2. This suit is brought under sections 7402, 7407, and 7408 of the Internal
4. Revenue Code (26 U.S.C.) (I.R.C.) to enjoin defendants from the following
5. activities:
 6. (a) Preparing or filing, or assisting in, or directing the preparation or
7. filing of any federal tax return, amended return or other federal tax
8. documents or forms for any other person or entity;
 9. (b) Directly or indirectly organizing, promoting, marketing, or selling
10. any plan or arrangement that advises or assists taxpayers to attempt to
11. violate internal revenue laws or unlawfully evade the assessment or
12. collection of their federal tax liabilities, including promoting, selling,
13. or advocating the use of false IRS Forms 1099 or other false IRS
14. forms based on the false claims that:
 15. I. Taxpayers can draw on the Treasury of the United States to
16. pay their tax debt or other debt using Forms 1099-OID or other
17. documents;
 18. ii. Taxpayers can issue false Forms 1099-OID on behalf of a
19. creditor and report on federal tax returns the amount on the
20. false Form 1099 as federal income taxes withheld on their
21. behalf; and
 22. iii. Taxpayers have an account with the Treasury Department from
23. which they can draw funds through a process that is often
24. called “redemption” or “commercial redemption.”
 25. (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6700,
26. including organizing or selling a plan or arrangement and making or
27. furnishing a statement regarding the excludability of income or
28. securing any other tax benefit that defendants know or have reason to

1 know is false or fraudulent as to any material matter;

2 (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6701,
3 including preparing and filing tax returns and other documents that
4 understate the tax liabilities of others;

5 (e) Preparing their own federal income tax returns claiming income
6 withholding and refunds based on amounts shown in Forms 1099
7 issued to their own creditors;

8 (f) Filing, providing forms for, or otherwise aiding and abetting the
9 filing of frivolous Forms 1040, 1040X, 1099 or any other IRS forms
10 for themselves or others, including the notarization or signing of
11 certificates of service or similar documents in connection with the
12 frivolous tax returns;

13 (g) Representing anyone other than themselves before the Internal
14 Revenue Service; and

15 (h) Engaging in any other conduct that is subject to penalty under the
16 Internal Revenue Code or that interferes with the proper
17 administration and enforcement of the internal revenue laws.

18 3. This action has been requested by the Chief Counsel of the Internal
19 Revenue Service, a delegate of the Secretary of the Treasury, and
20 commenced at the direction of a delegate of the Attorney General under 26
U.S.C. §§ 7402, 7407, and 7408.

21 **Defendants**

22 4. Alexander Adams resides in Huntington Beach, California, and does
23 business as Adams Beach Income Tax, which operates in the Huntington
24 Beach, California area. Venue is thus proper in this Court under 28 U.S.C.
25 § 1391. Alexander Adams prepares federal tax returns and other tax-related
26 documents for compensation.

1 5. Garrett Adams, the son of Alexander Adams, also resides in Huntington
2 Beach, California. Venue is thus proper in this Court under 28 U.S.C. §
3 1391. Garrett Adams prepares federal tax returns and other tax-related
4 documents for compensation.

5 6. Brandon Adams, the son of Alexander Adams, also resides in Huntington
6 Beach, California. Venue is thus proper in this Court under 28 U.S.C. §
7 1391. Brandon Adams actively promotes the defendants' tax fraud scheme,
8 which is detailed below.

9 7. Defendants have prepared at least 1,421 federal tax returns since 2006.

10 8. In 2008 and 2009, defendants prepared and/or filed fraudulent federal
11 income tax returns (IRS Form 1040) and amended federal income tax
12 returns (IRS Form 1040X) for tax years 2005, 2006, 2007, and 2008, and
13 prepared and/or filed with the IRS other frivolous documents on behalf of
14 others in exchange for compensation.

15 **The Defendants' Tax Fraud Scheme**

16 9. Defendants promote a tax fraud scheme designed to siphon massive
17 fraudulent tax refunds from the U.S. Treasury.

18 10. Defendants' tax-fraud scheme involves filing fraudulent federal income tax
19 returns, amended federal income tax returns, and other frivolous documents
20 with the IRS on behalf of their customers (and for themselves).

21 11. To steal tax refunds from the Treasury, defendants fabricate federal income
22 tax withholdings on tax returns and other IRS documents they prepare. The
23 fabricated tax withholding reported to the IRS on their customers' returns
24 supports their fraudulent refund claims, some as large as \$2.5 million per
customer.

25 **Defendants Falsify IRS Forms To Perpetrate Scheme**

26 12. In support of their fraudulent refund claims, defendants prepare and file
27 with the IRS false Forms 1099-OID, 1099-A, and Schedule B.

1

2 13. IRS Forms 1099-OID are properly used to report Original Issue Discount

3 (OID) income (and any federal income tax withheld from that income).

4 Original issue discount income refers to the difference between the

5 discounted price at which a debt instrument is sold at issuance, and the

6 stated redemption price at maturity. OID is generally included in a

7 taxpayer's income as it accrues over the term of the debt instrument,

8 whether or not the taxpayer actually receives payments from the issuer of

9 the debt instrument. OID is treated like a payment of interest, and a party

10 issuing a financial instrument generating OID must issue a Form 1099-OID.

11 14. IRS Forms Schedule B are properly used to report interest and dividend

12 income, and are attached to IRS Forms 1040.

13 15. The fraudulent Forms 1099-OID that defendants prepare and submit with

14 returns they prepare falsely state that their customers are "payees" who

15 receive OID income from their creditors.

16 16. The frivolous IRS Forms 1099-OID submitted with the returns that

17 defendants prepare typically show false OID income paid by a customer's

18 creditor – usually a credit card company, bank, or mortgage company – to

19 the customer.

20 17. The Forms 1099-OID that defendants prepare and submit also falsely state

21 that federal income taxes were withheld for the OID income purportedly

22 received by the customer.

23 18. Defendants prepare bogus tax returns reporting false income which equals

24 or approximates the total amount of the false "original issue discount," and

25 claim false withholding on the customer's IRS Form 1040 (or 1040X). On

26 the returns, defendants claim huge false refunds, often exceeding \$500,000.

27 Two of the returns defendants prepared for customers in 2009 included

28 fraudulent refund claims of \$2.5 million each.

- 1 19. Defendant Alexander Adams prepared and filed a fraudulent amended
- 2 federal income tax return for his son, defendant Garrett Adams, requesting a
- 3 bogus refund of \$2.5 million.
- 4 20. Defendant Alexander Adams prepared and filed a fraudulent amended
- 5 federal income tax return for himself, seeking a bogus refund of \$361,147.
- 6 21. Consequently, defendants' customers fail to file correct federal income tax
- 7 returns (and amended returns), and falsely claim tax refunds to which they
- 8 are not entitled.
- 9 22. The IRS Forms Schedule B that defendants prepare and file with their
- 10 customers' federal tax returns typically show the customer as the "payee" of
- 11 purported interest income paid to them by a creditor.
- 12 23. The apparent purpose of defendants' frivolous IRS Forms 1040, 1040X,
- 13 1099-OID, 1099-A, and Schedules B is to request fraudulent income tax
- 14 refunds. The scheme is based in part on defendants' absurd claim that
- 15 secret accounts exist that can be accessed to pay these bogus refund claims.
- 16 24. Defendants also claim that customers can use this tax scheme to cause the
- 17 Government to reimburse the customers for their personal debts, such as
- 18 credit card and mortgage debts.
- 19 25. In reality, regardless what forms are used or what they say, the defendants'
- 20 scheme involves one central technique. Defendants fraudulently report that
- 21 income tax was withheld from their customers, and then claim refunds
- 22 based on those fabricated withholdings.
- 23 26. The table below sets forth 8 federal tax returns defendants prepared for
- 24 customers and for themselves. These examples show the absurdly
- 25 fraudulent refunds and federal income tax withholding claimed by
- 26 defendants.
- 27
- 28

Examples

Customer	Year Return Was Filed With IRS	Tax Year	Fraudulent Refund Requested	False Income Tax Withholding Claimed
Christopher Otiko	2009	2006	\$2,547,041	\$3,864,603
Defendant Garrett Adams	2009	2006	\$2,492,845	\$4,002,013
Sean Morton	2009	2007	\$1,754,594	\$2,845,361
Brian and Allana Mallory	2009	2007	\$401,120	\$580,314
Lisa Yang	2009	2006	\$494,739	\$754,075
Matthew Hoey	2009	2005	\$273,398	\$439,389
Melissa Morton	2009	2008	\$104,224	\$146,965
Defendant Alexander Adams	2009	2005	\$361,147	\$575,650

27. The IRS has identified at least 42 returns prepared and filed by the defendants in 2008 and 2009 that request bogus refunds based on the defendants' fraudulent Forms 1099-OID, 1099-A, and Schedules B. Many of the refund requests on these fraudulent returns exceed \$500,000 and, on two returns, defendants requested fraudulent refunds of \$2.5 million each. The total amount of bogus refunds requested by defendants on those 42 returns is approximately \$15.2 million, and the IRS erroneously issued \$629,735 in refunds.

Brandon Adams Promotes Defendants' Tax Fraud Scheme

28. Brandon Adams promotes the defendants' OID tax scheme through live seminars, websites, telephone conference calls, DVDs, and CDs. He is compensated for his promotional activities.

29. Brandon Adams falsely informs potential customers and customers that, if the customers use defendants' tax scheme, the Government will refund all payments the customers have made toward their personal debts, such as

1 credit card and mortgage debts.

2 30. Brandon Adams also provides private instruction for customers, teaching
3 them how to prepare and falsify the IRS forms defendants use in their tax
4 scheme. He charges \$100 to \$200 per hour for such instruction. For
5 example, Brandon Adams teaches customers how to prepare IRS Forms
6 1099-OID and 1099-A for use in defendants' tax scheme.

7 **Tax Scheme Spreading Across Nation**

8 31. The OID tax fraud scheme – which defendants promote and use – has been
9 spreading across the nation since 2008, creating significant enforcement
10 challenges for the IRS. Scheme perpetrators, such as these defendants, have
11 already cost the United States millions of dollars in unrecovered fraudulent
12 refunds. Accordingly, the IRS issued a nationwide “problem alert” warning
13 taxpayers about the same tax scheme that defendants are promoting in this
14 case, on October 10, 2008:

15 <http://www.irs.gov/newsroom/article/0,,id=98129,00.html>

16 32. Defendants' scheme is part of a growing trend among tax defiers to file
17 frivolous tax returns and false Forms 1099-OID or other false IRS forms
18 with the IRS and courts in an attempt to escape their federal tax obligations
19 and steal from the U.S. Treasury.

20 33. Other courts have enjoined tax return preparers for promoting the very same
21 tax schemes and for preparing the same type of bogus tax returns and
22 supporting documentation. *See, e.g., United States v. Teresa Marty, et al.*,
23 at: <http://www.usdoj.gov/opa/pr/2009/September/09-tax-937.html>; *see also*
24 *United States v. Kahn*, 2004 WL 1089116, *1 (March 30, 2004 M.D. Fla.)
25 (court held defendants in violation of injunction that arose from defendants'
26 promotion of abusive tax schemes including “outlandish mechanisms” such
27 as using counterfeit bonds and checks to draw on fictitious treasury
28 accounts supposedly in their customers' name). Other courts have

1 condemned the tax scheme. *Ray v. Williams*, 2005 WL 697041, *5-6
2 (March 24, 2005 D. Or.) (in considering prison's bar on the delivery of the
3 book "Cracking the Code, Third Edition," held that book contained
4 fraudulent claim of "Redemptionists" that direct treasury account exists that
5 has a balance equal to the monetary value the government places on the life
6 of an individual); *Monroe v. Beard*, 2007 WL 2359833, *2 (Aug. 16, 2007
7 E.D. Pa.) (characterized Redemption as an "anti-government scheme that
8 utilizes commercial law to harass and terrorize its targets").

9 34. In reliance on the defendants' services, their customers have failed to file
10 proper federal income tax returns, which has either deprived the customers
11 of proper tax refunds to which they may have been entitled, or deprived the
12 United States of additional tax revenue owed by their customers.

Harm

13 35. Defendants have requested at least \$15.2 million in fraudulent refunds since
14 2008, and have caused the IRS to issue at least \$629,735 in erroneous
15 refunds. The IRS has only recovered \$6,660 of the erroneous refunds it
16 issued.

17 36. The Government has spent at least \$37,000 investigating defendants' tax
18 scheme, their fraudulent return preparation, and responding to and
19 processing the frivolous documents defendants submitted to the IRS.

20 37. The false Forms 1040, 1040X, 1099-OID, 1099-A, and Schedule B
21 prepared and submitted by defendants also may cause the assessment of
22 frivolous filing penalties against defendants' customers, and erroneous
23 penalties against the creditors identified in the forms for failing to timely or
24 accurately submit the forms to the IRS.

Count I: Injunction Under 26 U.S.C. § 7407

38. The United States incorporates by reference the allegations contained in paragraphs 1 through 37.
39. Internal Revenue Code § 7407 authorizes the United States to seek an injunction against any tax return preparer who has engaged in any “fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws,” or who has “engaged in any conduct subject to penalty under section 6694 or 6695.”
40. If a return preparer’s misconduct is continual or repeated, and the Court finds that a narrower injunction (*i.e.* prohibiting specific enumerated conduct) would not be sufficient to prevent the preparer’s interference with the proper administration of federal tax laws, the Court may enjoin the person from further acting as a return preparer.
41. Defendants Alexander Adams and Garrett Adams have continually and repeatedly prepared and filed with the IRS false and frivolous federal income tax returns (and amended returns), and other fraudulent tax-related documents on behalf of their customers.
42. As a result, defendants Alexander Adams and Garrett Adams have repeatedly and continually engaged in fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws.
43. Alexander Adams and Garrett Adams have repeatedly and continually prepared and filed federal tax returns that understate their customers’ tax liabilities as a result of unreasonable and frivolous claims and, thus, have engaged in conduct subject to penalty under 26 U.S.C. § 6694.
44. Alexander Adams and Garrett Adams have repeatedly and continually prepared and filed federal income tax returns (and amended returns) that understate their customers’ tax liabilities as a result of defendants’ willful

1 attempts to understate their tax liabilities, and/or defendants' reckless
2 and/or intentional disregard of internal revenue laws and regulations, and,
3 thus, have engaged in conduct subject to penalty under 26 U.S.C. § 6694.

4 45. Injunctive relief is appropriate to prevent this misconduct because, absent
5 an injunction, defendants Alexander Adams and Garrett Adams are likely to
6 continue to prepare and file false federal income tax returns and engage in
7 other misconduct of the type described in this complaint.
8 46. Defendants Alexander Adams and Garrett Adams have continually and
9 repeatedly prepared returns that include fraudulent refund claims.
10 47. Defendants Alexander Adams and Garrett Adams should be permanently
11 enjoined under 26 U.S.C. § 7407 from acting as federal tax return preparers
12 because a limited injunction would be insufficient to stop them from
13 interfering with the proper administration of the tax laws.

14 **Count II: Injunction Under 26 U.S.C. § 7408 for Violation of 26 U.S.C. §§**
15 **6700 and 6701**

16 48. The United States incorporates by reference the allegations contained in
17 paragraphs 1 through 47.
18 49. I.R.C. § 7408 authorizes a district court to enjoin any person from, *inter*
19 *alia*, engaging in conduct subject to penalty under I.R.C. §§ 6700 or 6701 if
20 injunctive relief is appropriate to prevent recurrence of that conduct.
21 50. Section 6700 imposes a penalty on any person who organizes or participates
22 in the sale of a plan or arrangement and, in so doing, makes a statement
23 with respect to the allowability of any deduction or credit, the excludability
24 of any income, or the securing of any tax benefit by participating in the plan
25 or arrangement which that person knows or has reason to know is false or
26 fraudulent as to any material matter.
27 51. The defendants organized and participated in the sale of a plan or
28 arrangement and, in doing so, made false and fraudulent statements with

1 respect to the tax benefits of participating in the plan or arrangement which
2 defendants knew or had reason to know were false.

3 52. Defendants falsely promised larger tax refunds from the Government,
4 which defendants knew or had reason to know was predicated on the
5 submission of fraudulent documents to the IRS.

6 53. As a result, defendants engaged in conduct subject to penalty under 26
7 U.S.C. § 6700.

8 54. Section 6701 imposes a penalty on any person who aids or assists in,
9 procures, or advises with respect to, the preparation or presentation of any
10 portion of a return, affidavit, claim, or other document, who knows (or has
11 reason to believe) that such portion will be used in connection with any
12 material matter arising under the internal revenue laws, and who knows that
13 such portion (if so used) would result in an understatement of the liability
14 for tax of another person.

15 55. Defendants prepared and aided or assisted in the preparation and/or filing of
16 federal income tax returns and other documents that resulted in the
17 understatement of their customers' tax liabilities.

18 56. Defendants knew or had reason to believe that the fraudulent documents
19 they prepared and/or filed with the IRS – including bogus IRS Forms 1040,
20 Forms 1040X, 1099-OID, 1099-A, and Schedule B – would drastically
21 underestimate their customers' federal income tax liabilities.

22 57. As a result, defendants have engaged in conduct subject to penalty under 26
23 U.S.C. § 6701.

24 58. Injunctive relief is appropriate to prevent recurrence of defendants' penalty
25 conduct.

26 **Count III: Injunction Under 26 U.S.C. § 7402**

27 59. The United States incorporates by reference the allegations contained in
28 paragraphs 1 through 58.

- 1 60. I.R.C. § 7402(a) authorizes a court to issue injunctions as may be necessary
- 2 or appropriate for the enforcement of the internal revenue laws, even if the
- 3 United States has other remedies available for enforcing those laws.
- 4 61. Defendants substantially interfere with the enforcement of the internal
- 5 revenue laws by promoting their “redemption” or “commercial redemption”
- 6 tax-fraud scheme and filing frivolous federal tax returns and other
- 7 documents on behalf of their customers.
- 8 62. As a result of the defendants’ misconduct, their customers fail to file proper
- 9 tax returns, erroneous refunds for hundreds of thousands of dollars have
- 10 been issued to their customers, and the customers are potentially liable for
- 11 substantial penalties.
- 12 63. Defendants’ conduct causes irreparable harm to the United States and to the
- 13 public for which there is no adequate remedy at law.
- 14 64. Unless enjoined by this Court, the defendants will continue to promote and
- 15 administer this tax-fraud scheme.
- 16 65. The United States is entitled to injunctive relief under I.R.C. § 7402(a) to
- 17 prevent the recurrence of this misconduct.

18 WHEREFORE, Plaintiff, the United States of America, prays for the
19 following relief:

20 A. That the Court find that defendants Alexander Adams and Garrett
21 Adams have continually and repeatedly engaged in conduct subject to penalty
22 under 26 U.S.C. §§ 6694, 6695, 6700, and 6701, and that injunctive relief is
23 appropriate under 26 U.S.C. §§ 7402, 7407, and 7408 to bar defendants Alexander
24 Adams and Garrett Adams from acting as tax return preparers, and from engaging
25 in conduct subject to penalty under 26 U.S.C. §§ 6700 and 6701;

26 B. That the Court find that defendant Brandon Adams has engaged in
27 conduct subject to penalty under 26 U.S.C. § 6700, and that injunctive relief is
28 appropriate under 26 U.S.C. §§ 7402 and 7408, barring Brandon Adams from

1 engaging in conduct subject to penalty under 26 U.S.C. § 6700.

2 C. That the Court find that defendants Alexander Adams and Garrett
3 Adams have engaged in conduct that substantially interferes with the enforcement
4 and administration of the internal revenue laws, and that injunctive relief against
5 defendants is appropriate to prevent the recurrence of that misconduct pursuant to
6 26 U.S.C. §§ 7407 and 7402(a);

7 D. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent
8 injunction permanently barring defendants Alexander Adams and Garrett Adams
9 from acting as federal tax return preparers and from preparing or filing federal tax
10 returns or forms for others, from representing others before the IRS, and from
11 advising anyone concerning federal tax matters;

12 E. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent
13 injunction prohibiting defendants Alexander Adams and Garrett Adams, and their
14 representatives, agents, servants, employees, attorneys, independent contractors,
15 anyone in active concert or participation with them, from directly or indirectly;

- 16 (1) Preparing or filing, or assisting in, or directing the preparation
17 or filing of any federal income tax return, amended return, IRS
18 Forms 1099-OID, 1099-A, Schedule B, or any other related
19 documents or forms for any other person or entity;
- 20 (2) Engaging in activity subject to penalty under 26 U.S.C. §§
21 6694 or 6695;
- 22 (3) Engaging in any other activity subject to penalty under the
23 Internal Revenue Code; and
- 24 (4) Engaging in other conduct that substantially interferes with the
25 proper administration and enforcement of the internal revenue
26 laws;

1 F. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a
2 permanent injunction prohibiting defendants and their representatives, agents,
3 servants, employees, and anyone in active concert or participation with them, from
4 directly or indirectly by means of false, deceptive, or misleading commercial
5 speech:

6 (1) Organizing or selling tax shelters, plans or arrangements that
7 advise or assist taxpayers to attempt to evade the assessment or
8 collection of such taxpayers' correct federal tax;
9 (2) Engaging in any other activity subject to penalty under 26
10 U.S.C. § 6700, including organizing or selling a plan or
11 arrangement and making a statement regarding the
12 excludability of income or securing of any other tax benefit by
13 participating in the plan that defendants know or have reason
14 to know is false or fraudulent as to any material matter;
15 (3) Engaging in any activity subject to penalty under 26 U.S.C. §
16 6701; and
17 (4) Directly or indirectly organizing, promoting, marketing, or
18 selling any plan or arrangement that advises or encourages
19 taxpayers to attempt to violate internal revenue laws or
20 unlawfully evade the assessment or collection of their federal
21 tax liabilities, including promoting, selling, or advocating the
22 use of the "commercial redemption" theory and false IRS
23 Forms 1099-OID based on the false claims that:

24 I. Taxpayers can draw on the Treasury of the United States
25 to pay their tax debt or other debt using Forms 1099-
26 OID or other documents;
27 ii. Taxpayers can issue false Forms 1099-OID on behalf of
28 a creditor and report the amount on the false Form 1099

1 as federal income taxes withheld on their behalf; and
2
3 iii. Taxpayers have an account with the Treasury
4 Department from which they can draw funds through a
5 process that is often called “redemption” or “commercial
6 redemption.”

7 G. That this Court, under 26 U.S.C. § 7402, enter a permanent
8 injunction prohibiting defendants from preparing their own federal income tax
9 returns claiming false income tax withholding and refunds, whether or not they
10 are based on amounts shown in false Forms 1099-OID issued to their creditors
11 and false Forms Schedule B;

12 H. That this Court, under 26 U.S.C. § 7402, enter a permanent
13 injunction prohibiting defendants from filing, providing forms for, or otherwise
14 aiding and abetting the filing of frivolous Forms 1040, Forms 1040X, Forms
15 1099-OID, and Schedules B for themselves or others;

16 I. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring
17 defendants, within 20 days of entry of the injunction order, to contact by mail (and
18 also by e-mail, if an address is known) all persons who have purchased or
19 otherwise received any products, services or advice from defendants since January
20 1, 2007, enclosing a copy of the permanent injunction order against defendants.
21 The injunction also should order defendants to certify with the Court, under
22 penalty of perjury, within 20 days of entry of the injunction order, that they have
23 complied with the requirements set forth in paragraphs I and J;

24 J. That this Court, under 26 U.S.C. § 7402, order defendants, within 20
25 days of entry of the injunction order, to provide to counsel for the United States a
list of all persons for whom they have prepared federal tax returns, and who have
purchased any products, services or advice from defendants since January 1, 2007;

26
27 K. That this Court allow the Government full post-judgment discovery
28 Complaint - United States v. Alexander Adams, et al. 16

1 to monitor defendants' compliance with the injunction; and

2 L. That this Court grant the United States such other and further relief as
3 the Court deems just and appropriate.

4

5 Date: March 15, 2010

6 Respectfully submitted,

7 ANDRÉ BIOTTE JR.
8 United States Attorney

9 */s/ Grayson A. Hoffman*
10 GRAYSON A. HOFFMAN
11 Member, Virginia Bar, 73726
12 Trial Attorney, Tax Division
13 U.S. Department of Justice
14 Post Office Box 7238
15 Ben Franklin Station
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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge A. Howard Matz and the assigned discovery Magistrate Judge is Suzanne H. Segal.

The case number on all documents filed with the Court should read as follows:

CV10- 1852 AHM (SSx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

=====
NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

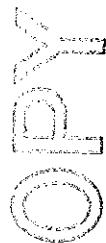
Subsequent documents must be filed at the following location:

Western Division
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

Southern Division
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

Eastern Division
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.



Name & Address:
 Sandra Brown, Chief, Tax Division
 Grayson A. Hoffman, Trial Attorney
 Gavin L. Greene, AUSA
 P.O. Box 7238, Ben Franklin Station
 Washington, DC 20044

UNITED STATES DISTRICT COURT
 CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,	PLAINTIFF(S)	CASE NUMBER
v.		CV10 1852 AHM (SS)
ALEXANDER H. ADAMS, individually, and doing business as ADAMS BEACH INCOME TAX; BRANDON A. ADAMS; and GARRETT R. ADAMS	DEFENDANT(S).	SUMMONS

TO: DEFENDANT(S): ALEXANDER H. ADAMS, individually, and doing business as ADAMS BEACH INCOME TAX; BRANDON A. ADAMS; and GARRETT R. ADAMS

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached complaint amended complaint counterclaim cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Grayson A. Hoffman, whose address is Department of Justice, Tax Division, P.O. Box 7238, Washintgon, DC 20044. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Clerk, U.S. District Court

MAR 15 2010

Dated: _____

By: _____

CHRISTOPHER POWERS

Deputy Clerk

(Seal of the Court)

SEAL

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3).]

COPY

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEETI (a) PLAINTIFFS (Check box if you are representing yourself)

UNITED STATES OF AMERICA

DEFENDANTS

ALEXANDER H. ADAMS, individually, and doing business as ADAMS
BEACH INCOME TAX; BRANDON A. ADAMS; and GARRETT R. ADAMS

(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)

Grayson A. Hoffman, Trial Attorney
U.S. Department of Justice, Tax Division, P.O. Box 7238, Ben Franklin Station,
Washington, DC 20044; Telephone No. (202) 616-2904

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an X in one box only.)

1 U.S. Government Plaintiff 3 Federal Question (U.S. Government Not a Party)

2 U.S. Government Defendant 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only
(Place an X in one box for plaintiff and one for defendant.)

Citizen of This State	PTF <input type="checkbox"/> 1	DEF <input type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	PTF <input type="checkbox"/> 4	DEF <input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

IV. ORIGIN (Place an X in one box only.)

1 Original Proceeding 2 Removed from State Court 3 Remanded from Appellate Court 4 Reinstated or Reopened 5 Transferred from another district (specify): 6 Multi-District Litigation 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: Yes No (Check 'Yes' only if demanded in complaint.)CLASS ACTION under F.R.C.P. 23: Yes No MONEY DEMANDED IN COMPLAINT: \$ _____

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)

26 U.S.C. Section 7402 to enjoin defendants from preparing, filing, or assisting in, or directing the preparation or filing of any federal tax returns.

VII. NATURE OF SUIT (Place an X in one box only.)

<input type="checkbox"/> 400 State Reapportionment	<input type="checkbox"/> 110 Insurance	<input type="checkbox"/> 200 CONTRACTS	<input type="checkbox"/> 300 TORTS - PERSONAL INJURY	<input type="checkbox"/> 400 PERSONAL PROPERTY	<input type="checkbox"/> 500 PRISONERS PETITIONS	<input type="checkbox"/> 600 LABOR
<input type="checkbox"/> 410 Antitrust	<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 370 Other Fraud	<input type="checkbox"/> 510 Motions to Vacate Sentence	<input type="checkbox"/> 710 Fair Labor Standards Act
<input type="checkbox"/> 430 Banks and Banking	<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 520 General	<input type="checkbox"/> 720 Labor/Mgmt. Relations
<input type="checkbox"/> 450 Commerce/ICC Rates/etc.	<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 330 Fed. Employers' Liability	<input type="checkbox"/> 385 Property Damage	<input type="checkbox"/> 530 Death Penalty	<input type="checkbox"/> 535 Mandamus/Other	<input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act
<input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 340 Marine	<input type="checkbox"/> 390 Product Liability	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 540 Civil Rights	<input type="checkbox"/> 740 Railway Labor Act
<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations	<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 423 Other Personal Injury	<input type="checkbox"/> 550 Prison Condition	<input type="checkbox"/> 790 Other Labor Litigation
<input type="checkbox"/> 480 Consumer Credit	<input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans)	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 441 Voting	<input type="checkbox"/> 441 Personal Injury-Med Malpractice	<input type="checkbox"/> 591 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 791 Agriculture
<input type="checkbox"/> 490 Cable/Sat TV	<input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits	<input type="checkbox"/> 355 Motor Vehicle Product Liability	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 442 Housing/Accommodations	<input type="checkbox"/> 820 Copyrights	<input type="checkbox"/> 830 Other Food & Drug
<input type="checkbox"/> 810 Selective Service	<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 443 Personal Injury-Product Liability	<input type="checkbox"/> 443 Welfare	<input type="checkbox"/> 840 Trademark	<input type="checkbox"/> 861 HIA (1395ff)
<input type="checkbox"/> 850 Securities/Commodities/ Exchange	<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 362 Personal Injury-Med Malpractice	<input type="checkbox"/> 444 American with Disabilities - Employment	<input type="checkbox"/> 444 American with Disabilities - Other	<input type="checkbox"/> 862 Black Lung (923)	<input type="checkbox"/> 863 DIWC/DIWW (405(g))
<input type="checkbox"/> 875 Customer Challenge 12 USC 3410	<input type="checkbox"/> 195 Contract Product Liability	<input type="checkbox"/> 365 Personal Injury-Product Liability	<input type="checkbox"/> 445 American with Disabilities - Other Civil Rights	<input type="checkbox"/> 446 American with Disabilities - Other	<input type="checkbox"/> 864 SSID Title XVI	<input type="checkbox"/> 865 RSI (405(g))
<input type="checkbox"/> 890 Other Statutory Actions	<input type="checkbox"/> 196 Franchise	<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 447 Other Civil Rights	<input type="checkbox"/> 447 Other	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)	<input type="checkbox"/> 871 IRS-Third Party 26 USC 7609
<input type="checkbox"/> 891 Agricultural Act	<input type="checkbox"/> 210 Land Condemnation	<input type="checkbox"/> 462 Naturalization Application	<input type="checkbox"/> 448 Other	<input type="checkbox"/> 448 Other		
<input type="checkbox"/> 892 Economic Stabilization Act	<input type="checkbox"/> 220 Foreclosure	<input type="checkbox"/> 463 Habeas Corpus-Alien Detainee Other Immigration Actions	<input type="checkbox"/> 449 Other	<input type="checkbox"/> 449 Other		
<input type="checkbox"/> 893 Environmental Matters	<input type="checkbox"/> 230 Rent Lease & Ejectment	<input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 450 Other	<input type="checkbox"/> 450 Other		
<input type="checkbox"/> 894 Energy Allocation Act	<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 470 Other	<input type="checkbox"/> 451 Other	<input type="checkbox"/> 451 Other		
<input type="checkbox"/> 895 Freedom of Info. Act	<input type="checkbox"/> 245 Tort Product Liability	<input type="checkbox"/> 475 Other	<input type="checkbox"/> 452 Other	<input type="checkbox"/> 452 Other		
<input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice	<input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 480 Other	<input type="checkbox"/> 453 Other	<input type="checkbox"/> 453 Other		
<input type="checkbox"/> 950 Constitutionality of State Statutes		<input type="checkbox"/> 485 Other	<input type="checkbox"/> 454 Other	<input type="checkbox"/> 454 Other		

CV10 1852

FOR OFFICE USE ONLY: Case Number: _____

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? No Yes
 If yes, list case number(s): _____

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? No Yes
 If yes, list case number(s): _____

Civil cases are deemed related if a previously filed case and the present case:

(Check all boxes that apply)

- A. Arise from the same or closely related transactions, happenings, or events; or
- B. Call for determination of the same or substantially related or similar questions of law and fact; or
- C. For other reasons would entail substantial duplication of labor if heard by different judges; or
- D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named plaintiff resides.
 Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District* Los Angeles County	California County outside of this District; State, if other than California; or Foreign Country
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(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named defendant resides.
 Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

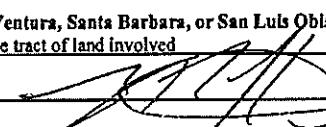
County in this District* Defendants reside in Los Angeles County	California County outside of this District; State, if other than California; or Foreign Country
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(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH claim arose.
 Note: In land condemnation cases, use the location of the tract of land involved.

County in this District* Los Angeles County	California County outside of this District; State, if other than California; or Foreign Country
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* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR PRO PER):  Date 3/12/10

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))